

## INFORMATION REPORT INFORMATION REPORT

## CENTRAL INTELLIGENCE AGENCY

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

25X1

S E C R E T

COUNTRY Yugoslavia

REPORT

25X1

SUBJECT Economic Crisis

DATE DISTR. 15 August 1955

NO. OF PAGES 2

DATE OF INFO.

REQUIREMENT NO. RD

25X1

PLACE ACQUIRED

REFERENCES

DATE ACQUIRED

This is UNEVALUATED Information

SOURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

1. There is increasing unrest throughout Yugoslavia as a result of the deteriorating economic situation. Wages are inadequate as prices continue to rise. Certain items such as sugar, flour and fruit are almost unobtainable. Housewives and factory workers are now openly protesting, not only because they have to queue up for the most basic necessities, but because promises of more adequate supplies are now recognized as empty gestures. In three Zagreb factories, including Rade Koncar, workers' representatives have been delegated to raise the issue of wages and prices in the Workers' Councils and at Party meetings. On two occasions in the Vojvodina the government has actually used troops to break up food riots and disperse striking workers.

25X1

2. Economic experts and career officials in the economic and trade ministries are gravely concerned by the handling of the internal economic situation by Svetozar Vukmanovic-Tempo. Vukmanovic is regarded as a fool, loyally supported by the "fanatic Communists" who have assumed control of Yugoslavia's domestic affairs while Tito concerns himself with his role as an international political figure. At the same time new laws add to the growing confusion and to lack of confidence in the current economic program. The Jews, especially Mosa Pijade, President of the Federal People's Assembly; Leo Gerskovic, who has drafted the new laws; and Nikola Balog, chef de cabinet to Vukmanovic, are being held accountable for the mismanagement of economic affairs. A group of senior economic specialists, including former Djilas followers and party moderates, is trying to prove and document the economic ruin which will befall Yugoslavia before the end of 1955. A spokesman for the group claims he approached Tito, who turned a deaf ear to what he termed "malicious, unsocialist propaganda."

S E C R E T

25X1

STATE	EV	ARMY	X	NAVY	X	AIR	X	FBI	AEC								
-------	----	------	---	------	---	-----	---	-----	-----	--	--	--	--	--	--	--	--

(Note: Washington distribution indicated by "X"; Field distribution by "#")

INFORMATION REPORT INFORMATION REPORT

S E C R E T

25X1

3. New economic agreements with Eastern Europe are adding to Yugoslavia's domestic economic problems. It is feared that should Yugoslavia fail to meet its new commitments, the USSR and the Satellites will endeavor to bring Yugoslavia to its knees and force its reunion with the Soviet Bloc. At the present time, Yugoslavia is being forced to export food items, vitally needed at home, in exchange for textiles and inferior machinery from the East. Nor is there any likelihood that Yugoslavia's claims against the Soviet Bloc for payment of deliveries made in 1947 and 1948 will be settled.
4. "Fanatics" in the Yugoslav Government hope for the formation of a political and economic front [redacted] and increasing rapprochement with the Soviet Bloc. They hope that this position will make Yugoslavia strong enough to extort sufficient dollars from the U.S. to bolster the Yugoslav economy. On the other hand, realistic, pro-West Yugoslavs fear the three Western powers will continue to finance Yugoslavia without demanding essential economic reforms. A responsible, senior government official has stated that the U.S. should impose two conditions before granting further aid to Yugoslavia. His suggested conditions are that the economic program be altered to preserve food and other urgently needed commodities for home consumption and that funds supplied for capital investment be rigidly controlled. He feels that these stringent controls are the only solution to Yugoslavia's current economic dilemma.
5. Informed Yugoslavs know that revaluation of the dinar is long overdue, that wages must be increased to a subsistence level, that a capital investment program must be set up to finance completion of the so-called "first phase of industrialization" [redacted]
6. Some Yugoslavs fear that the U.S. might agree to finance Soviet economic expansion as a price of peace. If the U.S. were to do so, Yugoslavia could settle her claims against Russia, would not need U.S. aid and would, they fear, be committed to the Soviet Bloc. Still other Yugoslavs, among them the directors of Pirotehnika, Tehnoservis, Interexport and Kemofarmacija, see a resemblance between Yugoslavia's internal situation [redacted] They are speculating on possible concessions Tito may have to make to appease the Yugoslavs and put the economy on a sound basis.

25X1

25X1

25X1

25X1

25X1

25X1

S-E-C-R-E-T

+1

25X1